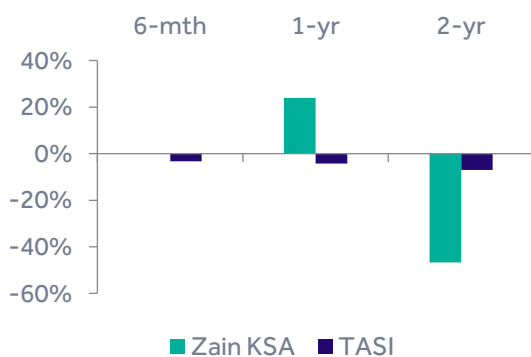


Market Data	
52-week high/low	SAR 16.34/9.86
Market Cap	SAR 13,032 mln
Shares Outstanding	899 mln
Free-float	62.95%
12-month ADTV	3,572,938
Bloomberg Code	ZAINKSA AB



Record Quarterly Revenues

November 09, 2023

Upside to Target Price	0.0%	Rating	Neutral
Expected Dividend Yield	3.4%	Last Price	SAR 14.50
Expected Total Return	3.4%	12-mth target	SAR 14.50

Zain KSA	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	2,525	2,287	10%	2,392	6%	2,416
Gross Profit	1,481	1,376	8%	1,484	(0%)	1,474
Gross Margins	59%	60%		62%		61%
Operating Profit	331	246	35%	260	27%	260
Net Profit	285	85	235%	124	130%	296

(All figures are in SAR mln)

- Zain posted record quarterly revenues at SAR 2.5 bln, +10% Y/Y and +6% Q/Q. This increase was driven by growth in all its businesses, including B2B segment, 5G services, digital packages, wholesales segment as well as the increase on Tamam. The business segment continues to witness high demand. Solutions provided in cloud computing, Internet of Things and Artificial Intelligence are popular. Similarly, there is elevated demand for Yaqoot digital services and Tamam Finance, Zain's fintech arm that provides microfinance.
- Gross profit increased +8% Y/Y on revenue growth as gross margins were 150 bps lower Y/Y to 58.7%. Operating expenses increased due to costs related to tower sale and leaseback while ECL expenses declined by SAR 82 mln on better collectability. Operating profits increased by +35% Y/Y and operating margins expanded by 230bps, much better than expectations.
- EBITDA grew by +13% Y/Y and +6% Q/Q to SAR 847 mln. Finance costs increased by SAR 23 mln due to higher local and global interest rates.
- Net Income came in at SAR 285 mln, +235% Y/Y and +130% Q/Q, in-line with our SAR 296 mln forecast. Zain recognized capital gains of SAR 139 mln this quarter related to the sale and leaseback of 1,400 towers although they did not recognize any gains in the preceding quarter.
- We maintain our target price of SAR 14.50 and Neutral rating.

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Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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